

ENFORCEMENT INFORMATION FOR DECEMBER 12, 2018

Information concerning the civil penalties process can be found in the Office of Foreign Assets Control (OFAC) regulations governing each sanctions program; the Reporting, Procedures, and Penalties Regulations, 31 C.F.R. part 501; and the Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, app. A. These references, as well as recent final civil penalties and enforcement information, can be found on OFAC's website at www.treasury.gov/ofac/enforcement.

ENTITIES – 31 CFR 501.805(d)(1)(i)

Yantai Jereh Oilfield Services Group Co., Ltd. Settles Potential Civil Liability for Apparent Violations of the Iranian Transactions and Sanctions Regulations: Yantai Jereh Oilfield Services Group Co., Ltd., headquartered in Yantai, China, and its affiliated companies and subsidiaries worldwide (collectively referred to hereafter as the “Jereh Group”), have agreed to pay \$2,774,972 to settle the company's potential civil liability for 11 apparent violations of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (ITSR).

The Jereh Group's settlement with OFAC is concurrent with a settlement agreement between the Jereh Group and the U.S. Department of Commerce's Bureau of Industry and Security (BIS).

Specifically, from on or about October 2, 2014 to on or about March 4, 2016, the Jereh Group appears to have violated §§ 560.203 and 560.204 of the ITSR on at least 11 occasions when it exported or reexported, or attempted to export or re-export, U.S.-origin goods ultimately intended for end-users in Iran by way of China. Jereh Group also exported certain U.S.-origin items with knowledge or reason to know that the items were intended for production of, for commingling with, or for incorporation into goods made in China to be supplied, transshipped, or re-exported to end-users in Iran. Two of the 11 shipments were seized by U.S. Customs and Border Protection (CBP) prior to exiting the United States. The goods in question included oilfield equipment such as spare parts, coiled tubing strings, and pump sets.

OFAC determined that Jereh Group did not voluntarily disclose the apparent violations, and that the apparent violations constitute an egregious case. The base civil monetary penalty amount for the apparent violations equaled the statutory maximum civil monetary penalty amount, which in this case totaled \$3,083,302.

Beginning in late 2013, a former Jereh Group Sales Executive and a former Jereh Group Business Manager arranged meetings in Iran and/or with Iranian customers. Through these and other communications with potential buyers, both the former Sales Executive and the former Business Manager developed a scheme whereby they utilized intermediary companies, including a Chinese based trading company named Jinan Tongbaolai Oilfield Equipment Co., Ltd. (“JNTBL”) and a distribution company located in the UAE named Dubai Great Technology Trading LLC (“DGT”), in order to sell and ship Jereh Group products to Iran — many of which relied upon and incorporated U.S.-origin goods. In a report submitted to OFAC, the company summarized the interactions and relationships amongst and between these parties as follows:

DGT was contracted by the Iranian end-user to act as an intermediary between Jereh [Group] and [JNTBL]. [JNTBL] was the Chinese company that executed purchase orders and contracts with Jereh Group while separately contracting for the resale of Jereh [Group] merchandise indirectly through DGT and directly to other Iranian end-users. For these multi-party arrangements, two separate contracts were signed: one between Jereh [Group] and [JNTBL] and one between [JNTBL] and [DGT], for the sale and shipment of Jereh [Group] equipment through the UAE to the end-users in Iran.

An external review of the company's compliance program in late 2015 and early 2016 noted that Jereh Group's compliance controls were largely non-existent and, when in place, were ineffective and easily circumvented. The circumvention could and did go undetected. In addition, although the company had changed its contracts in or around June 2011 to include an explicit provision prohibiting the re-exportation of Jereh Group products to countries subject to U.S. economic sanctions, the legal contracts signed between the Jereh Group and the aforementioned intermediary countries excluded this language.

In the summer of 2014, CBP detained a shipment of goods destined for the Jereh Group, and BIS officials interacted with multiple employees from Jereh Group and American Jereh International Corporation — the Houston, Texas affiliate of the Jereh Group — regarding U.S. economic and trade sanctions against Iran. Although the Chairman of the Jereh Group appears to have issued instructions to several employees and business units to cooperate with the U.S. Government's inquiries, the former Sales Executive falsely denied having engaged in any business dealings with Iran. Nine of the 11 transactions constituting the apparent violations of the ITSR occurred in or after January 2015, more than four months after BIS officials began communicating with the Jereh Group. The apparent violations did not cease until BIS added several Jereh Group companies and related individuals to its Entity List on March 21, 2016.

For more information regarding the conduct that led to the apparent violations, please see the Settlement Agreement between OFAC and the Jereh Group [here](#).

The settlement amount reflects OFAC's consideration of the following facts and circumstances, pursuant to the General Factors under OFAC's Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, app. A.

OFAC considered the following to be aggravating factors: (1) Jereh Group willfully violated U.S. sanctions on Iran by engaging in and systematically obfuscating conduct it knew to be prohibited by company policy and economic sanctions, and continued to engage in such conduct even after the U.S. Government began to investigate the conduct; (2) Jereh Group employees, including several management-level personnel, had contemporaneous knowledge of the transactions giving rise to the apparent violations in Iran; (3) Jereh Group employees took actions, including establishing intermediaries, to conceal the nature of the transactions from the U.S. Government; (4) Jereh Group falsified information on Electronic Export Filings and made other false statements to the U.S. Government in the course of this investigation; (5) Jereh Group engaged in this pattern of conduct over a period of years, providing more than \$500,000 of U.S.-origin goods for the economic benefit to Iran; and (6) Jereh Group is a commercially

sophisticated, international corporation with subsidiaries in Canada, Central Asia, Hong Kong, Indonesia, the Middle East, and the United States.

OFAC considered the following to be mitigating factors: (1) Jereh Group has no prior sanctions history with OFAC, and has not received a penalty notice or Finding of Violation in the five years preceding the earliest date of the transactions giving rise to the apparent violations; (2) Jereh Group cooperated with OFAC's investigation by disclosing possible violations involving other sanctions programs and responding to OFAC's requests for information regarding Iran; (3) Jereh Group agreed to toll the statute of limitations for a total of 298 days; and (4) Jereh Group took remedial steps and corrective actions to prevent a recurrence of the apparent violations.

Upon terminating the conduct which led to the apparent violations, the Jereh Group's remedial response and compliance program enhancements included the following:

- The Jereh Group terminated the employment of the individuals determined to be directly responsible for and involved in the above-referenced shipments to Iran;
- The Jereh Group engaged an external organization with specialized experience in U.S. economic and trade sanctions and export control laws and regulations, which conducted an internal review of the company and developed a trade and sanctions compliance program;
- The same external organization provided detailed, technical, and operational training to the Jereh Group's employees and senior executives regarding, among other items, the company's legal obligations with respect to the laws and regulations administered by OFAC and other U.S. Government Departments;
- The Jereh Group established an International Business Compliance Department and a Compliance Committee comprised of representatives from its legal, sales, procurement, logistics, engineering, and finance departments to oversee the company's sanctions compliance across all Jereh Group business units, subsidiaries, and affiliates;
- The Jereh Group hired full-time compliance personnel, including a dedicated and U.S.-trained Chief Legal Officer, as well as a Deputy Director of Compliance, and appointed senior managers with experience working at global companies and handling international business transactions with a commitment to compliance;
- The Jereh Group prepared and circulated a Sanctions and Export Compliance manual, and implemented trade and sanctions compliance policies and procedures; and
- The Jereh Group proactively contacted its suppliers and issued sanctions compliance certifications requiring these companies to not sell, transfer, re-export, or divert any Jereh Group products to countries subject to U.S. economic and trade sanctions programs.

This enforcement action highlights the importance of the implementation of audits, reviews, and control measures to ensure compliance with U.S. export controls and sanctions regulations. OFAC encourages companies to develop risk-based compliance programs that include control mechanisms to prevent violations of U.S. export controls and sanctions regulations.

For more information regarding OFAC regulations, please go to: www.treasury.gov/ofac.